TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 1869 - HB 1920

January 29, 2016

SUMMARY OF BILL: Deletes obsolete language from Tennessee Public Officers and Employees Retirement law and replaces it with correct references. Removes references to paper forms and written format, authorizing the use of electronic format for application and other retirement processes.

Authorizes the Treasurer to assess costs on employees participating in the Optional Retirement Plan (ORP) in order to pay the cost of administering the plan. Deletes the requirement that funds be transferred from the stabilization reserve trust account to the reserve trust account when the unfunded liability exceeds the maximum unfunded liability.

Authorizes political subdivisions to give employees the option to transfer from the Legacy Plan to the Hybrid Plan, provided the employee contribution remains unchanged. Requires instead of authorizes political subdivisions that have a pre-existing plan to set the employee contribution rate in TCRS the same as the contribution rate in the pre-existing plan. Adds certain disability retirees to those that specific rules for political subdivisions electing to participate in the system do not apply.

Requires Higher Education employees to decide on the date of hire between joining the TCRS or the ORP rather than within 30 days after hire. Requires General Assembly members, state judges, district attorneys general, assistant district attorneys general, state election commissioners, and part-time employees with optional membership in the Hybrid Plan to make an irrevocable election of membership upon eligibility. Specifies that a teacher in the Tennessee Consolidated Retirement System (TCRS) Legacy Plan who transfers to the Hybrid Plan and later becomes a state employee will remain in the Hybrid Plan for future service.

Requires any employer that wishes to join the system to pay a lump sum of its accrued unfunded liability, but authorizes the Treasurer to allow the employer to amortize the accrued unfunded liability over a period of time not to exceed 20 years. Requires employers establishing a benefit improvement to pay the estimated increased pension liability in a lump sum or through an increase in the employer’s contribution rate for the next fiscal year.

Authorizes the retirement system to invest in publicly listed companies, currency, and other derivative instruments. Removes the ten percent cap on real estate and private equity investment, and establishes a 40 percent cap on such investments as well as investments including private equity and strategic lending. Deletes the sunset provision, established as of December 31, 2017, for strategic lending investment. Deletes requirement that the retirement system invest only in notes, bonds, or other fixed income securities exceeding one year in maturity. Authorizes TCRS to pledge, post, accept, and re-hypothecate a counterparty’s collateral and allow others to re-hypothecate the system's collateral in transactions that require collateralization.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- Currently forms are available in electronic format. Removing the paper format option will not result in a significant decrease in state expenditures.
- According to TCRS, the Treasurer currently offsets administrative costs through assessing fees. There will be no increase in fees assessed.
- Removing the transfer of funds from the stabilization reserve trust fund as a required unfunded liability cost control will not result in a significant impact to the unfunded liability.
- Requiring election of retirement options for certain employees on the date of hire rather than 30 days after will not result in a significant fiscal impact to the retirement system.
- Requiring certain members to make an irrevocable election of membership upon eligibility will not result in a significant fiscal impact to the retirement system.
- Any impact from employers paying for benefit improvements in lump sum or a change in the contribution rate will not result in any significant administrative change to the retirement system.
- Authorizing additional investment options for the retirement system could result in a change in revenue. Any impact on revenue from different or additional investments cannot be reasonably determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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